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Montana Community Development Block Grant Program

1989 APPLICATION GUIDELINES FOR ECONOMIC DEVELOPMENT PROJECTS



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COMMUNITY DEVELOPMENT

BLOCK GRANT PROGRAM

APPLICATION GUIDELINES FOR ECONOMIC DEVELOPMENT PROJECTS

Montana Department of Commerce

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INTRODUCTION

Beginning this year, the Montana Department of Commerce is instituting a change in the administrative structure for the Montana Community Development Block Grant (CDBG) Program which will better serve the needs of businesses and local governments interested in utilizing the CDBG program for economic development. In order to consolidate the business assistance functions of the Department, the economic development component of the program will be administered by the Business Assistance Division. The housing and public facilities categories will continue to be administered by the Local Government Assistance Division.

In recognition of this reorganization and to clarify the application requirements for these grant categories, the Department is publishing two sets of application guidelines: one, for the economic development category only, and the second, for the housing and public facilities categories.

For information on the use of the CDBG program for economic development projects, contact:

DOC/Business Assistance Division
1424 Ninth Avenue
Capitol Station
Helena, MT 59620
444-3923

For information on the use of the CDBG program for housing and public facilities projects, contact:

DOC/Local Government Assistance Division
Room C-211, Cogswell Building
Capitol Station
Helena, MT 59620
444-2488

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* If desired, the full text of Appendix E can be found in the 1989 CDBG Application Guidelines for Housing and Public Facilities Projects.

Additional application forms are required for the preparation of a full application and are available in an application packet from DOC.

ECONOMIC DEVELOPMENT PROJECTS

I. INTRODUCTION

The economic development category of Montana's CDBG Program is designed to stimulate economic development activity by assisting the private sector, in order to create or retain jobs for low and moderate income persons. **CDBG funds are intended to be used in situations where a funding gap exists and alternative sources of public and private financing are not adequate.** These funds are intended to complement conventional business financing techniques and those of other federal programs such as the Economic Development Administration and Small Business Administration. The program is also designed to complement the Department of Commerce programs for business assistance such as those administered by the Business Assistance Division, the Montana Board of Investments, and the Montana Science and Technology Alliance.

A. ELIGIBLE ACTIVITIES

The Montana CDBG program has limited financial resources and, as such, places highest priority on projects which will have the greatest potential for creating long-term employment opportunities for low and moderate income Montanans and for providing other long-term economic benefits to Montana's communities.

The CDBG economic development program is designed to assist businesses by making appropriate long-term, fixed-rate financing available to them at reasonable interest rates.

Typical eligible activities that fall within the CDBG economic development category include: land acquisition; public facilities and other improvements in support of economic development, such as water and sewer lines, and access roads; loans for acquisition, construction, rehabilitation, or installation of commercial and industrial buildings, facilities, equipment, or working capital; employee training; and grants or loans from communities to nonprofit entities.

B. ELIGIBLE APPLICANTS

Eligible applicants are limited to general purpose local governments: counties, incorporated cities and towns, and consolidated city-county governments. Among municipalities, only Billings and Great Falls are ineligible to apply to the State CDBG Program because they receive CDBG funds from a separate HUD allocation for communities with populations over 50,000. Montana's Indian tribes also receive CDBG funds from a separate HUD CDBG program and are not eligible to apply to the State program.

Businesses are not eligible to apply directly to the Department. Special purpose agencies such as local development corporations are also not eligible to apply directly; however, they may be involved in implementing and administering a program by interlocal agreement, if the eligible applicant

agrees to such an arrangement.

Local governments that are currently administering one or more CDBG projects will not be eligible to reapply unless: (1) the current CDBG project(s) is/are being managed in an acceptable manner consistent with the implementation schedule contained in its CDBG contract with the Department and (2) the project management plan submitted with the new application is considered acceptable to the Department. (See MANAGEMENT PLAN, page 21).

For the purposes of this requirement, consolidated city-county governments will be considered as two separate jurisdictions; one, the city jurisdiction and two, the unincorporated jurisdiction of the county. For application purposes, the jurisdiction of each will be defined by the city and county boundaries as delineated on the date of consolidation.

1. County Applications

For projects proposed within the unincorporated jurisdiction of a county, the county governing body is the eligible applicant. A county may apply for a project which will include activities within the jurisdiction of an incorporated city or town if the proposed activity is intended to serve all county residents, including those located in the unincorporated jurisdiction of the county.

In order to improve cost-effectiveness for project administration, a county may apply for a grant for a project which would address the same economic development need in two or more separate unincorporated communities as long as the grant request is under the established ceiling. If considering such a project, the applicant county would want to be sure that the involved communities have an equally high level of need and that the proposed response is equally appropriate and would achieve comparable impact on the needs of each of the communities.

2. Municipal Applications

For economic development projects proposed to serve residents within the jurisdiction of an incorporated city or town, the city or town governing body is the eligible applicant. A municipality may apply for a project which would include an activity to be located outside city limits if the proposed activity will principally benefit residents within the city's jurisdiction.

3. Joint Applications

In situations where two or more eligible local governments face a common community development problem, a joint application may be submitted under the following conditions:

- a. the problem to be addressed lies in an area of contiguous jurisdictions;
- b. the solution to the common problem clearly requires cooperative action and is the most efficient strategy; and
- c. the local governments involved have contacted the Department of Commerce and received prior approval of such an arrangement before submission of a pre-application. Requests for approval must be

submitted at least 30 days prior to the submittal date for the pre-application.

The eligible local governments involved must each meet the requirements for all applicants. One local government must be designated as the lead applicant and accept full responsibility for application submission and grant administration and financial management, should the full application be awarded funds.

All joint applications must contain a draft interlocal agreement, in accordance with the Montana Interlocal Cooperation Act (Sections 7-11-101 through 108, MCA), which identifies the responsibilities and obligations of the cooperating local governments, including long-term operation and maintenance, if applicable.

C. REALLOCATION OF UNCOMMITTED FUNDS

The Federal Housing and Community Development Act requires the State to distribute CDBG funds to local governments "in a timely manner." HUD requires the State to have at least 75% of its total annual grant allocation awarded and under contract within twelve months of the date the allocation was awarded to the State. All remaining funds must be awarded and under contract within fifteen months of the State CDBG award. Therefore, if after ten months from the date of the award of the State's annual CDBG allocation, the Department of Commerce does not have at least 75% of its fiscal year allocation awarded and under contract, the Department Director may, at his discretion, award funds from the Economic Development Setaside to the highest ranked, unfunded applications from the fall, grant competition for housing and public facilities projects, in order to achieve these goals.

II. APPLICATION PROCEDURES AND SCORING SYSTEM

Pre-applications for economic development projects will be accepted at any time after September 1, 1989 until all available funds set aside for the FY 1989 CDBG economic development category are committed to projects. A total of \$1,311,475 will be available for the 1989 CDBG economic development program. This amount represents 25% of the total amount of CDBG funds available for award in the 1989 program. The ceiling for each economic development grant request is \$300,000.

Local governments are the only eligible applicants. They may apply more than once in a fiscal year for economic development and may be eligible to receive up to a maximum of \$375,000 in a fiscal year for economic development projects. In addition, all eligible applicants may also apply for either a public facility or a housing project in the fall CDBG competition, even if they have already received the \$375,000 limit for economic development projects.

A flow chart of the application process is provided for reference in Appendix A.

A. PRE-APPLICATION PROCEDURES

A pre-application must be submitted to the Business Assistance Division of the Department of Commerce (see address on Introduction page) using the form and instructions for completing the pre-application that are included in Appendix B. The pre-application will be reviewed as soon as possible by the Department, generally within two weeks. If the pre-application is complete, all minimum thresholds appear to have the potential to be met, and the initial financial review indicates that the project may have the potential to be financially feasible and is properly structured, the community will be invited in writing to submit a full application to the Department. If the pre-application is considered incomplete, the Department will explain in writing the items needed to complete the pre-application and why. Approval of the pre-application and the invitation to submit a full application does not bind or commit the Department in any way to approve the full application.

B. FULL APPLICATION PROCEDURES

1. Application Acceptance and Staff Review

Full applications will be reviewed and analyzed by staff on a "first come, first served" basis, as determined by the date the full application found to be complete by the Department. When the application is found to be complete, it will be stamped as accepted by the Department. Department staff will then analyze the application for recommendation to the loan review committee, generally within 30 days from the date it is stamped as accepted.

2. Order of Precedence for Loan Committee Review and Funding

Applications which are received and accepted as complete, and which have received staff analysis and recommendation, will be submitted to the loan review committee at the earliest committee meeting after analysis and

recommendation are finished.

Applications will be reviewed by the loan review committee, and will be funded, if approved by the committee and the Director, in the order in which they are submitted to the loan review committee. However, when more than one application is submitted to the committee in the same loan review cycle, they will be considered to be submitted simultaneously and will be reviewed and/or funded in the order of the dates on which the applications were stamped accepted. When more than one application is before the loan committee in a given review cycle, the stamped acceptance date will determine the order of precedence for review and funding.

The committee will make a recommendation to the Director, who will make the final decision on grant award.

3. Applications for Assistance to For-profit Businesses

For applications involving assistance to for-profit businesses, the business plan(s) will be analyzed on the basis of the:

- need for CDBG assistance and the appropriateness of the proposed use of CDBG funds;
- presented financial strength of the business plan;
- appropriateness of the proposed terms (e.g., security, interest rate, etc.) of the CDBG loan; and
- past performance of the firm or principals.

4. Applications for Assistance to Nonprofit Entities

For applications where facilities or activities are proposed that will remain the responsibility of the applicant local government or a nonprofit entity and which will not involve assistance to a for-profit business, the business plan will be analyzed on the basis of the:

- level of documentation demonstrating the ability of the facility or activity to support itself over time;
- need for CDBG assistance;
- appropriateness of the proposed use of CDBG funds; and
- in instances where the local government or nonprofit entity will assume an ongoing subsidy of the project, the level of subsidy, effect of the subsidy on local revenues, and the anticipated long-term benefits of the project.

C. SUMMARY OF THE FULL APPLICATION SCORING SYSTEM

The Department will analyze the full application based on the scoring system summarized below. The Department will review the full applications for completeness, financial feasibility, and to determine whether the minimum thresholds can be met based on the documentation provided.

1. Business Plan/Necessary and Appropriate Determination 0-150 points
(See page 9.)

2. Threshold Requirements

40-110 points

- a. CDBG Cost Per Job for LMI (See page 16.)
- | | |
|-----------------------|--------------|
| -- More than \$20,000 | Not Eligible |
| -- 15,000 to 20,000 | 5 points |
| -- 10,000 to 14,999 | 10 points |
| -- 5,000 to 9,999 | 15 points |
| -- Up to 4,999 | 20 points |
- b. Percent of Jobs to Benefit LMI Persons (See page 16.)
- | | |
|------------------|--------------|
| -- Less Than 51% | Not Eligible |
| -- 51% to 60% | 5 points |
| -- 61% to 70% | 10 points |
| -- 71% to 80% | 15 points |
| -- 81% or more | 20 points |
- c. Debt/Equity Ratio (See page 17.)
- | | |
|------------------|--------------|
| -- More than 5:1 | Not Eligible |
| -- 4.1:1 to 5:1 | 10 points |
| -- 3:1 to 4:1 | 20 points |
- d. Matching Funds (See page 17.)
- | | |
|------------------|--------------|
| -- Less than 1:1 | Not Eligible |
| -- 1:1 to 1.5:1 | 5 points |
| -- 1.6 to 2:1 | 10 points |
| -- 2.1:1 to 3:1 | 15 points |
| -- Over 3:1 | 20 points |
- e. Citizen Participation/Needs Assessment (See page 17.)
- | | |
|------------|--------------|
| Incomplete | Not Eligible |
| Acceptable | 10 Points |
- f. Hiring and Training Plan (See page 20.)
- | | |
|----------------|--------------|
| Not Acceptable | Not Eligible |
| Acceptable | 10 Points |
- g. Management Plan (See page 21.)
- | | |
|----------------|--------------|
| Not Acceptable | Not Eligible |
| Acceptable | 10 Points |

Maximum Possible Points - 260

Business Plan	150 points
Thresholds	110 points

Minimum Score To Be Eligible For Funding - 190 Points

III. THE BUSINESS PLAN AND THE NECESSARY AND APPROPRIATE DETERMINATION

A. BUSINESS PLAN

NOTE: All business plan information and financial exhibits will be considered confidential, for evaluation purposes only, and will not, except as required by law, be provided to any third person, firm, corporation or public entity without the express written consent of the business.

Each applicant must submit a business plan for each business or entity to receive assistance, whether for-profit or nonprofit. Each business plan must contain sufficient information for the Department to obtain an adequate understanding of the business to be assisted, including the products or services offered, estimated market potential, management experience of principals, current financial posture, and details of the proposed venture. The business plan components contained in this section are required for all CDBG economic development applications.

(Note: The Montana CDBG Program has developed a brief Business Plan Outline which may be helpful in developing a business plan for the application. A more detailed Business Planning Guide is also available from the Department. Copies of the outline or the guide may be ordered from the Department's Business Assistance Division at the address and telephone number shown on the title page.)

Applications involving more than two businesses will require a longer review period. Each business included in an application will be evaluated and rated separately. An application will be more likely to be funded if all businesses proposed are financially strong individually. An otherwise strong application on behalf of more than one business may not be fundable, if a weaker business is included.

The business plan must include the following elements and must provide sufficient detail for adequate analysis:

1. Business Description

Include a description of the company or enterprise and an explanation of the products or services offered.

2. Management

Provide the names, titles, and resumes of each of the principals to be responsible for the management of the business.

3. Market

Discuss the present or proposed market area and share, as well as future projections, and provide an explanation of how the information was developed (for example, market surveys). Document any identified potential markets (for example, contracts, letters, or other evidence of interest in the product(s) by potential buyers or distributors), especially if sales projections show annual increases exceeding 25%.

4. Sources and Uses of All Funding

This section would discuss the source, use, and terms of all funds to be included in the project. Use the form in Appendix C to list the sources and uses of all funding for the project.

No grants can be made to for-profit businesses. A description of all aspects of the proposed assistance (i.e., loan terms, security, etc.), and the rationale for each must be included with the application.

5. Financial Exhibits

The business must be able to show that projected cash flow will be sufficient to cover projected debt service and that a positive net worth can be attained. The projections must include a narrative explanation of how the figures and assumptions were derived with special emphasis on any changes in major assumptions from existing conditions (i.e. changes in cost of goods sold and general administrative expenses as a percentage of sales, or if sales increases exceed 25% annually). Special care should be taken to include increased labor costs related to achieving the hiring goals contained in the hiring and training plan.

The business plan must include the following financial exhibits:

a. Financial Statements

For existing businesses, provide financial statements for the three most recent years of operation to include the following:

- Balance Sheet;
- Profit and Loss Statement;
- Cash Flow Statement; and
- Reconciliation of Net Worth.

Financial statements, compiled or reviewed by an independent certified public accountant, with full disclosure notes are required. All financial information must be signed by a responsible officer of the business. Financial statements must also include a current Aging of Accounts Receivable and Payable. There must not be any time period gaps between the historical statements and the projected statements. The financial statements must not be dated more than 90 days prior to the date the application is submitted.

b. Earnings Projections

Provide the following projections for three years:

- Balance Sheet;
- Profit and Loss Statement; and
- Cash Flow Statement.

Earnings projections must include a projected monthly cash flow analysis for at least one year and until the break even point is projected to be reached by the business. For businesses that experience regular or occasional cyclical variations in cash flow, provide a narrative explanation of the reason(s) for

the occurrence of the cycles and the effect, if any, on the businesses' ability to meet its debt obligations identified in the existing and projected debt schedules.

c. Debt Schedule

Provide descriptions of all existing and projected debts and lenders, annual debt service amounts, and any related loan requirements.

d. Working Capital Needs

Provide information on working capital needs and verify through cash flow projections, explaining changes in inventory and receivables.

e. Personal Balance Sheets

Provide current personal balance sheets for each individual with 10 percent or more ownership in the proposed project. The Department may require the submittal of personal or corporate income tax returns, if necessary.

f. Personal Credit Check Release

The principal owners of the business, as defined above, must provide a release allowing for a personal credit history check by the Department as part of the application review.

Applicants should include any other information which may be helpful in documenting the economic viability of the project.

6. Private Sector Commitments

Applications should be submitted only for those projects that are ready to proceed pending receipt of CDBG funds.

Applicants must provide firm commitment letters from any private sector lenders or investors involved in the project. Such commitments should be binding, contingent only upon receipt of CDBG funds.

Letters of commitment from firms to be assisted must be submitted with the application and must:

- be on a letterhead of the firm and signed by an official of the firm authorized to commit the organization;
- provide a clear statement of the firm's concept of the project, (i.e., the location, scope and cost);
- specify the nature of the commitment, (e.g., amount of private commitment, amount of borrower's commitment, type and size of the project, number of jobs to be created, commitment to hire low and moderate income individuals, etc.); and
- state a willingness of the firm to sign a legally binding commitment upon grant award and that the firm has reviewed the grant application and has approved its content.

Letters of commitment from private financing institutions must specify the amount and type (for example, interim construction financing) of the loan being provided for the specific activity to be undertaken. The commitment should be binding, contingent only upon receipt of CDBG funds.

7. Public Sector Commitments

If resources from the public sector or nonprofit entities are to be involved in the proposed economic development project, applicants must provide written evidence of firm commitment of public funds and/or other resources. Such commitments should be binding, contingent only upon receipt of CDBG funds to the project. Evidence should include resolutions passed by the local governing body and/or a letter of commitment from other sources.

8. Conclusion

The review of the application will be expedited and the application's likelihood of being funded will increase if the applicant community and business have adequately demonstrated that:

- a financing gap exists, has quantified the gap as much as is reasonably possible, and has determined that the project needs CDBG assistance in order to proceed;
- the level of CDBG assistance is appropriate in relation to the public benefit expected to result from the project;
- the application is complete as submitted, and contains accurate information;
- the earnings projections submitted with the application are realistic and attainable, are supported by historical trends, and indicate that projected cash flow is sufficient to support increased debt;
- the CDBG funds would be adequately secured with fixed assets and/or personal guarantees;
- the application documents a sound, well-reasoned proposal with a perceived strong chance for success if CDBG funds are received;
- the private or public sector lenders involved in the project have provided firm commitment of funds;
- the project is ready to proceed if notification that a tentative CDBG award is given and implementation will begin immediately, and
- the application conclusively demonstrates that the project will support itself over time, and will not impose a burden on any local government or nonprofit entity participating in the project.

Applications where viability may be questionable, or where the overall business plan or need for CDBG assistance is inadequately documented, may be either restructured, renegotiated or not funded depending on the severity and nature of the problems identified.

B. NECESSARY AND APPROPRIATE DETERMINATION FOR ASSISTANCE TO FOR-PROFIT BUSINESSES

The Federal Housing and Community Development Act requires the Department of Commerce to consider whether CDBG assistance to any for-profit business is necessary and appropriate to the project, including the extent of the need for assistance and the amount of assistance to be provided in relation to the

public benefit that would result. Applicants must clearly demonstrate the need for CDBG assistance by documenting that a financing "gap" exists in funding the proposed project. Applicants must show that all reasonable resources have been considered and are not available or appropriate. A "gap" may be documented in several different ways, as described below.

The U.S. Department of Housing and Urban Development (HUD) requires that the applicant follow the steps outlined below in order to document that the proposed level of financial assistance is "necessary and appropriate."

Step 1 -- Evaluate All Project Costs

The applicant must verify all project costs and document how they were determined and by whom (land appraisal, engineer or architect prepared estimates, equipment lists and cost schedules, etc.). The applicant must determine the reasonableness and completeness of the cost estimates (such as the inclusion of Davis-Bacon prevailing wage rates, if applicable).

Step 2 -- Verify and Maximize Private and Other Public Funding Sources

It is the responsibility of the applicant to verify that all other reasonably available sources of private financing have been maximized for the project proposed. Other private sources such as banks, venture capital companies, or additional private equity should be sought before the project budget is finalized and CDBG funds applied for.

The applicant must include documentation that other federal funding sources have been considered such as the Small Business Administration and the Economic Development Administration, as well as State sources such as the Montana Board of Investments and the Montana Science and Technology Alliance.

The applicant must document that each potential funding source is inappropriate, insufficient, or unavailable for the project. For example, if a private lending institution denies an application for a loan by the proposed business to be assisted, the letter of denial should be included in the application. If the owners of the business are not able to inject additional equity into the project, their personal financial statements should support that position.

Before submitting a proposal to the applicant community, the business should first request a loan (or loans) from lending institutions for the remaining amount needed for the project after as much new private equity as possible has been committed to the project. If the lender(s) or investor(s) is/are unable or unwilling to make a loan or investment for the amount needed to complete the project, the business and applicant community should approach them with a financing package that includes CDBG funds and request a loan contingent on CDBG funds being received.

All reasonable funding sources should be seriously and thoroughly investigated prior to applying for CDBG funds. CDBG funds should be requested only when the business and the applicant can document that other funding sources are insufficient for the proposed project.

Step 3 -- Make a Determination of Need for CDBG Assistance

The applicant must demonstrate that the business it is proposing to assist with CDBG funds has a quantifiable need for the funds. There are several methods of determining the need for CDBG assistance or financing "gap." The applicant should request that the business answer the following questions in order to quantify the "gap".

A. Financing Gap

1. Are the annual earnings of the proposed project sufficient without CDBG assistance to meet the annual debt service requirement of a loan at market rate?

The application must include two pro formas. One pro forma should project earnings and debt service without CDBG assistance and the other with CDBG assistance in the assumptions.

2. Is there insufficient equity to meet collateral and other lending requirements of private lending institutions? Can the firm to be assisted contribute sufficient equity to the project to meet the collateral requirements of the first or the second position lenders?

The application should include letters from the private lending institutions contacted by the business for loans. The letters should document one or more of the following situations:

- the lender will not make any loan to the business;
- the lender can only lend a portion of the total project costs; or
- the lender will only participate if CDBG funds are involved in the project and states that its participation is contingent on CDBG funds.

The amount of the financial gap should be quantified based on the pro formas. For example:

- if a lender can only provide a loan (contingent on CDBG) for a portion of the project costs, and all available private equity is invested into the project, the amount of the financing gap equals the amount remaining in the project that cannot be financed privately; or
- if a lender agrees to finance the project costs above the amount of private equity invested, but the annual debt service is higher than the projected cash flow from the project, the amount of the financing gap is equal to the amount of CDBG funds needed to lower the debt service so that a reasonable cash flow coverage is achieved and the project's financial feasibility is maintained.

B. Rate of Return Gap

If there is sufficient financing and cash flow to cover projected debt service but the rate of return on the private sector investment in a project is not sufficient to provide a reasonable rate of return to investors, a financing

gap exists. It is difficult to verify and quantify a rate of return based gap. An acceptable method involves the comparison of several financial ratios to industry norms in order to determine if the rate of return projected for the project is reasonable. The following financial ratios should be calculated for the project based on no CDBG financing participation and with CDBG financing and then compared to industry norms:

1. Profit Before Taxes/Tangible Net Worth
2. Profit Before Taxes/Total Assets
3. Sales/Net Fixed Assets
4. Sales/Total Assets

Other ratios may be used if the business can effectively demonstrate their appropriateness for making a determination of its need for CDBG assistance.

C. Location Cost Differential Gap

Montana communities cannot use CDBG funds to bid against other Montana communities for businesses which are relocating to or within the state or starting up operations.

However, CDBG funds may be used as compensation for quantified differences in operating costs between alternative locations for business sites, if the cost differential between alternative sites can be clearly documented and it is determined that the provision of CDBG funds is necessary and appropriate in relation to the public benefit expected to result from the project.

Step 4 — Size the CDBG Assistance

The applicant local government should determine the minimum amount of CDBG financial assistance necessary to stimulate private investment based on the quantified financial gap and ensure that the business is not unduly enriched compared to the public benefits expected to occur as a result of the project.

IV. THRESHOLD REQUIREMENTS FOR CDBG ECONOMIC DEVELOPMENT PROJECTS

The following threshold requirements are applicable to full applications for CDBG economic development assistance.

A. CDBG COST PER JOB FOR LOW AND MODERATE INCOME PERSONS

The nonadministrative CDBG cost per job to be created or retained for low and moderate income persons must not exceed \$20,000 per job. This is determined by dividing the total number of permanent full-time or full-time equivalent jobs for low and moderate income persons to be directly created or retained by the assisted enterprise into the total amount of the nonadministrative CDBG funds requested.

B. PERCENT OF JOBS TO BENEFIT LOW AND MODERATE INCOME PERSONS

In order to be eligible for CDBG assistance, the applicant must demonstrate that a minimum of 51 percent of the jobs to be directly created or retained by an economic development project are held by or will be filled with low and moderate income persons; or will be filled by low and moderate income persons after special training planned as part of the project.

A "low and moderate income person" is defined as a member of a low and moderate income family. The total income and size of the family, not the individual's income, determines whether an individual is considered to be low and moderate income. "Family" is considered to be husband, wife and dependents, such as the IRS determination for income tax purposes. Appendix D, Calculation of Benefit to Low and Moderate Income Persons, provides additional guidance in determining benefit to low and moderate income persons. For new hires, income is determined for the year prior to the date the person is hired. For projects involving the retention of jobs, the income levels should be documented for the prior year's income of the family. The verification forms should be completed no more than 30 days prior to submittal of the application.

The Department will use full-time annual equivalent positions as the basis for determining compliance with this threshold. If part-time or seasonal employment is proposed, the application must include an estimate of the number of hours to be worked each year for each proposed position. Only jobs that are created directly by the assisted business within a 24 month period following grant award will be counted towards this requirement. The Department will not consider indirect employment created through contractual relationships.

To fulfill this requirement, applications must include a letter from each business to be assisted stating the firm's commitment to hiring low and moderate income individuals.

Documentation for benefit to low and moderate income persons must be completed with the form provided in Appendix D, "Calculation of Benefit to Low and Moderate Income Persons" and included with the full application. Businesses claiming retention of jobs must submit with the full application documentation of the verification of existing employees eligibility to be

considered low and moderate income by using the income verification form in Appendix D.

C. DEBT/EQUITY RATIO

Where CDBG funds will be expended to assist a for-profit business, the final debt/equity ratio, calculated from the projected balance sheet after all CDBG financing and all matching and other financing for the project have been received, may be no greater than 5:1. The Debt/Equity Ratio shall be calculated, under Generally Accepted Accounting Principles, according to the following formula:

$$\text{Debt/Equity Ratio} = \frac{\text{Total Liabilities} - \text{Officer Subordinated Debt}}{\text{Total Net Worth} - \text{Intangibles*} + \text{Officer Subordinated Debt}}$$

* "Intangibles" are assets for which no market exists or no market value can be firmly established, such as organizational costs, noncompetitive agreements, and patents (unless a firm cash offer is in hand.)

D. MATCHING FUNDS

In preparing its project budget, the applicant is required to identify the sources and uses of funds and the amounts to be contributed by each financial source. To be eligible for consideration, an applicant must assure the participation of at least one, non-CDBG dollar for each dollar of nonadministrative CDBG funds requested (a 1:1 leverage ratio). The non-CDBG funds may come from a variety of sources, such as new investment by a firm to be assisted, bank loans, loans to be repaid to a state or federal loan program, or grants. Applicants must ensure that documentation committing the non-CDBG dollars states that the commitment is contingent on the receipt of CDBG funds.

Cash expenditures for fixed assets integral to the project, made within 180 days before the stamped application acceptance date, may be counted for up to 50% of the required match. In all cases, at least 50% of the required matching funds must be met by new cash investment to be made on or after the date of the application acceptance date.

The following will not be considered as match:

1. existing assets (with the exception of cash expenditures for necessary assets made within 180 days before the application date;
2. in-kind services;
3. other costs incurred prior to the application date;
4. the refinancing of existing debt; and
5. increased owner equity resulting from the proposed business expansion.

E. CITIZEN PARTICIPATION AND THE COMMUNITY DEVELOPMENT NEEDS ASSESSMENT

1. Citizen Participation

The Community Development Act requires the Department of Commerce to adopt "a detailed Citizen Participation Plan" (Appendix E). In order to receive CDBG funds, both the Department and applicants for grants must certify that they

are carrying out citizen participation in a manner that complies with this plan. The certification required of applicants for CDBG funds is included in the CDBG Statement of Assurances (Appendix F).

Applicants must provide citizens, especially low and moderate income residents, an adequate notice and opportunity for meaningful involvement in the planning and development of CDBG applications.

At a minimum, the applicant must hold two public hearings, one before preparing the pre-application and one prior to passage of a resolution by the governing body authorizing the submission of the full application. The public hearings may be conducted either as part of a regularly scheduled meeting of the governing body or as hearings convened especially for CDBG purposes.

A record of the required hearings must be submitted with the full application for CDBG funds, along with copies of the public notices for the hearings or affidavits of publication for the notices. A verbatim record is not necessary; the names of persons who attended and a summary of comments by local officials and citizens is sufficient.

The purpose of the first public hearing is to inform citizens about the CDBG program, the amount of funds available, how it may be used, the range of activities eligible for funding and other general program requirements, as well as to solicit public comment, particularly from low and moderate income people, on community needs and priorities for economic development, housing and public facilities, including the needs of low and moderate income persons. In considering the needs of low and moderate income, the governing body is encouraged to consider the needs of households which may be especially needy, such as those with lower incomes, female heads of households or minority, elderly or disabled members. The first public hearing must be held not more than twelve months prior to the date of the submittal of the pre-application.

For economic development projects, the local government should solicit publicly for prospective businesses which may be interested in applying for a CDBG loan from the State through the local government. The local government should then select the most reasonable and viable proposal(s) for consideration for a pre-application to the Department.

The purpose of the second public hearing is to give citizens and potential beneficiaries of the proposed project adequate opportunity to review and comment on the community's CDBG application(s), before it is submitted. The issues which should be considered include the proposed project location, activities, budget (including the estimated amount proposed to be used for activities that will benefit low and moderate income families). Frequently, an important consideration for local governments considering a CDBG application for economic development is whether they would be assisting a business that would be in direct or indirect competition with other local businesses.

Formal public notice must be provided before public hearings are held. Notice should also be directed to persons of low and moderate income, those persons who will benefit from or be affected by CDBG activities and/or representatives of low and moderate income persons. Hearings must be held at times and locations convenient to potential and actual beneficiaries and with

accommodation for the handicapped. In the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate, arrangements must be made to have an interpreter present.

Notice of each public hearing should be published at least once in a newspaper of general circulation in the community at least seven days prior to the hearing. In addition to the published notices, the applicant should make reasonable efforts to inform citizens of the hearings who may be affected by a CDBG project but who might not be reached through formal newspaper notices. Examples of actions applicants may take to ensure citizen participation include meeting with community groups and leaders prior to public hearings, holding informational meetings, distributing notices of public meetings to residents, or posting of notices in ways customary to the community. These efforts should be especially concentrated in any neighborhood which may be affected by a proposed CDBG project. The hearings should be scheduled at times and locations which will encourage broad citizen participation. (Communities without a newspaper may substitute alternatives for notifying the public such as radio announcements, mailed notices, and posters.)

2. Community Development Needs Assessment

The Housing and Community Development Act requires that each CDBG recipient must "identify its community development and housing needs, including the needs of low and moderate income persons, and the activities to be undertaken to meet such needs."

Each applicant must include a brief description of its needs, which, at minimum, summarizes:

1. The process used to identify community development needs and establish priorities and objectives, including efforts to encourage meaningful participation of local citizens, particularly those of low and moderate income;
2. The applicant's short-term and long-term community development needs in economic development, housing and neighborhood revitalization, and public facilities, including the needs of low and moderate income persons, and its priorities for responding to the needs;
3. The planned activities to be undertaken to meet the identified needs; and
4. The alternative projects considered for CDBG funding and the rationale for selecting the proposed project(s);

The needs assessment process does not have to be conducted annually for applicants re-applying for CDBG funds if a previously prepared needs assessment still accurately reflects existing conditions and community development objectives and meets the requirements set out above. If an existing needs assessment will be used as the basis for reapplication, the applicant should solicit public comments on the previously identified community needs and priorities at one or more of the two public hearings required. For further information on alternative methods of preparing a needs assessment, applicants can request a copy of the Department's publication, The Community Development Needs Assessment Process.

A summary of the applicant's Community Development Needs Assessment must be submitted as part of the CDBG application.

F. HIRING AND TRAINING PLAN

The primary goal of CDBG-funded economic development grants is to increase job opportunities for local residents, particularly persons of low and moderate income. The family income is considered as of the time the jobs are filled or retained, not after the low and moderate income person is hired. Jobs must be equally available to low and moderate income persons.

Applicants must provide a Hiring and Training Plan to ensure preferential recruitment, hiring, and training of local workers, particularly those of low and moderate income. In the event of grant award, the applicant's commitment to the Hiring and Training Plan will be considered binding. A final hiring plan will be incorporated in the grant agreement between the local government and the Department of Commerce.

Hiring goals should be reasonable and justified by the financial statements and projections. Claims for the number of jobs to be created or retained should be realistic and not inflated or overly optimistic.

The assistance agreement between the community, the Department and the assisted business will contain conditions regarding the hiring of low and moderate income persons. The assisted business must show substantial compliance with the hiring and training plan and a "good faith" effort towards accomplishing the hiring goals set out in the assistance agreement before the project can be closed out.

Assistance in the development of a hiring and training plan may be obtained from the local Job Service or the Human Resource Development Council. Other programs such as the Job Training Partnership Act (JTPA) programs should be coordinated with the hiring process wherever possible. HUD will accept persons eligible under JTPA guidelines as low and moderate income persons, except for those eligible under the Dislocated Workers Program. Grantees must ensure that complete hiring records are maintained by the assisting agency, the assisted business and by the grantee.

The base level of employment with a list of all current employees and job titles must be provided with the application in order to determine the actual number of new hires. For existing firms, applicants must provide employment levels for the past year. The date for determining the base level of employees will be the application submission date.

Applicants should take into consideration equal opportunity and nondiscrimination laws to ensure that women and minorities are not excluded from participation, denied the benefit of, or subjected to discrimination under any program or activity funded in whole or in part with CDBG funds.

At a minimum the Hiring and Training Plan must include the following:

1. A breakdown of jobs to be created or retained indicating the percentage which are full-time, part-time, skilled, semiskilled, or unskilled;

2. A discussion of the actions to be taken to ensure that the positions created will be filled by persons of low and moderate income;
3. A breakdown of jobs to be created indicating the job titles and descriptions and the rates of compensation. For applications proposing positions involving less than full-time employment, an estimate of the number of hours to be worked each week or months to be worked each year for each position must be included;
4. A timetable for creating the jobs, the total number of persons, and number of low and moderate income persons to be hired.
5. An assurance that equal opportunity and nondiscrimination laws will be complied with;
6. Procedures for outreach, recruitment, screening, selection, training and placement of workers which will ensure maximum access for local residents, particularly persons of low and moderate income;
7. A description of the training curriculum and resources, if applicable;
8. Written commitments from any agencies or organizations participating in the implementation of the plan; and
9. Written commitment from the assisted business to comply with the plan.

Minimum job requirements should not exceed the equivalent of a high school education in order to be counted as a job opening available to be filled by low and moderate income persons. If job qualification requirements exceed the equivalent of a high school education, training can be provided to enable otherwise unqualified persons to qualify for the position. The jobs that are to be created must be physically accessible to the low and moderate income population within a reasonable geographic area.

D. MANAGEMENT PLAN

As part of its application, each applicant must submit a Management Plan which, at a minimum:

1. addresses the local government's plans for assuring proper management of the CDBG project, including financial management of grant funds, compliance with State and federal requirements, effective and timely start-up and completion of project activities;
2. identifies the person or persons who will be responsible for day-to-day grant management (or position descriptions developed for these persons) and any contracted services to be utilized in carrying out the project;

3. includes a quarterly schedule for project implementation which identifies the timeframes for major activities and expenditures and the coordination of non-CDBG resources for the project.
4. addresses potential environmental concerns and demonstrates that there appear to be no significant problems. A form entitled "Checklist of Environmental Considerations for CDBG Applications" is available from the Department for guidance; and
5. if more than a single funding source or organization is involved, a description of how these will be coordinated and directed. The applicant must demonstrate adequate pre-planning to ensure that project activities can commence quickly if funds are awarded and that firm commitments exist for the other resources to be involved in the project.

If a previous or current grantee under the State CDBG Program, performance of project management responsibilities must be acceptable. Local governments that are currently administering CDBG projects will not be eligible for reapplication if:

the local government is not in compliance with the project implementation schedule contained in its CDBG contract with the Department of Commerce; or

there are outstanding audit or monitoring findings on a previously funded project, where the grant recipient has not satisfactorily resolved the identified problem.

To be awarded a grant under the CDBG Program, a local government must have the management capacity to undertake and satisfactorily complete the project it is proposing. An applicant is assumed to have the capacity to undertake the proposed project unless available information raises a question concerning an applicant's capacity. If any question arises during the evaluation of the application, the Department of Commerce may request additional information.

If an applicant does not believe that it currently has the capacity to manage a CDBG grant, it may propose to hire administrative staff or arrange for project administration by another local government through an interlocal agreement or by contracting for administrative services with a consultant, after grant award. In all cases, the applying local government assumes direct responsibility for proper financial management of the CDBG funds awarded to it.

V. GENERAL POLICIES ON LOANS TO FOR-PROFIT BUSINESSES

All loans made to for-profit businesses with CDBG funds are subject to the following guidelines:

A. LOAN TERMS

The terms of the loan should be consistent with the projected use of funds, and individual project needs. For example, terms for financing machinery and equipment should generally be between 5 to 10 years. For buildings and real estate, terms should generally range between 15 to 20 years. Working capital loans should be limited to 7 years. If a deferral of repayments is requested by the applicant and is accepted by the Department, the term of the loan will include the deferred period. For example, a loan with a ten year term with a one year deferral period has a total term of ten years, not eleven.

B. DEFERRAL OF REPAYMENTS

Repayments of principal, interest, or both may be partially deferred up to two years. The need for a deferral must be supported by the projected cash flow of the business and the defined financial gap. The Department will require that at least nominal payments be made from the time the loan agreement is executed.

C. LOAN SECURITY

All loans must be secured with fixed assets (i.e., land, buildings, and capital equipment), personal guarantees, or any other reasonable source of available collateral. CDBG funds may be placed in a subordinated security position to other lenders involved in the project. Applicants must include documentation for the value of collateral offered for security and a description of all security positions held by lenders and any liens which may apply to the collateral (tax liens, mechanics liens, or other liens). The Department will negotiate with the business for the most secure position which is reasonably available, regardless of the proposed use of the CDBG funds (for example, fixed assets may be used to secure working capital loans).

D. INTEREST RATES

Interest rates for CDBG funded loans to for-profit businesses will generally be set at the rate for U.S. Treasury Securities for a 10 year term as published by the Wall Street Journal. The date the full application is stamped as accepted will determine the date the current interest rate is set. Lower interest rates may be considered by the Department of Commerce if it can be conclusively demonstrated that a lower rate is essential to the economic viability of the project. In addition, the Department will provide a discount of one-eighth percent for each job created for a low and moderate income person over a two year period from the date of the grant award. The loan agreement and interest rate will be amended to incorporate any job creation discount after that date. In no case will the minimum allowable interest rate, including the job creation interest discount, be less than 5%.

VI. FEDERAL AND STATE REQUIREMENTS OF SPECIAL CONCERN FOR ECONOMIC DEVELOPMENT PROJECTS

Each local government applying for CDBG funds and the business to be assisted with CDBG funds must agree to comply with the federal and State requirements set out in Appendix F (the CDBG Statement of Assurances) in implementing their proposed CDBG project, if selected for funding. A copy of the Statement of Assurances, signed by the chief elected official or executive officer of the applicant and dated within six months of the date of application, must accompany the full application for CDBG funds. Applying local governments and businesses should carefully review these requirements and consider their potential impact when designing their CDBG project.

The federal requirements address issues such as financial management, labor practices, environmental impacts, civil rights, fair housing, and acquisition real property and relocation of homeowners. Other State laws and regulations will also apply to the agreement between the local government, the Department and any business or agency which will receive CDBG assistance through a loan or grant.

Chapter 11, "Economic Development", of the Montana CDBG Grant Administration Manual provides additional guidance on the applicability of federal regulations to applicants and to the business proposed to be assisted. Copies are available upon request to the Department of Commerce. These laws can have an affect on the costs and complexity of the project and the schedule for completion. Applicants should also be aware that it will take at least two months before any funds will actually be received after the decision to award a grant has been made. This delay occurs because several activities must take place in the interim. For example, the contract between the grantee and Department must be prepared, the grantee must conduct a review of environmental factors, and all the details for assuring proper management of the project and the expenditures of federal funds must be finalized. Unless prior written approval is given, it is absolutely essential that the applicant and the business do not incur costs or obligate funds, which are intended to be reimbursed with CDBG funds, prior to the date that all contract start-up conditions (including the final execution of the loan agreement) are satisfied by the grantee and approved in writing by the Department of Commerce.

The following subsections discuss federal laws that may affect the business and the total cost and complexity of the project.

A. ENVIRONMENTAL IMPACT

All CDBG projects are subject to the National Environmental Policy Act and the Montana Environmental Policy Act. Both laws seek to avoid adverse impacts on the environment by mandating careful consideration of the potential impacts on any development assisted with federal funds or approved by a state agency. In addition, CDBG projects are subject to numerous other state and federal environmental laws. Applicants are encouraged to be sensitive to potential environmental impacts while their CDBG projects are first being considered and planned in order to avoid problems which could delay or even prevent a project from being implemented. A form entitled "Checklist of Environmental Considerations for CDBG Applications" is available from the Department for

guidance. Local officials who have any concerns or questions regarding the potential environmental impacts of their proposed CDBG project or the environmental requirements should contact the Department of Commerce in advance of submitting their application for CDBG funds.

It normally takes at least two months before any CDBG funds can be provided to a grant recipient. This delay occurs principally because the grantee must first conduct a formal review of environmental factors. In order to expedite the start up and implementation of a project, applicants have the option to proceed, if invited to submit a full application, with the level of environmental review which is determined to be appropriate during the pre-application process. The applicant would have to assume all costs of conducting the environmental review if it chooses to proceed with the review before CDBG funds are awarded. Contact the Business Assistance Division for guidance regarding the level of environmental review necessary, the procedures required, and the potential time constraints associated with the process.

B. FEDERAL LABOR STANDARDS

Federal labor requirements should be given careful consideration when planning CDBG-funded economic development projects. The Federal Contract Work Hours and Safety Standards Act, Copeland "Anti-Kickback" Act, and the Davis-Bacon Act will probably apply to most economic development projects which involve the use of CDBG funds for construction, remodeling, site development, extensive equipment installation or other similar activity which involves the use of contracted labor and services for contracts over \$2,000. The Davis-Bacon Act requires the payment of prevailing wage rates (usually comparable to union scale) on construction paid for in whole or in part with CDBG funds.

Determining the applicability of Davis-Bacon wage rates to an economic development project can be complex. Contact the Department of Commerce Business Assistance Division during the planning stages for a proposed project for guidance and copies of the applicable wage rates and requirements. The additional costs associated with Davis-Bacon wage rates, if applicable to a project, must be considered when calculating project costs and when obtaining estimates from potential contractors.

Davis-Bacon wage rates would not apply in cases where:

- a contractor that bids successfully on the project is a sole proprietor and the work will be performed entirely by the owner, without additional employees;
- the installation of equipment is limited to the equivalent of plugging it into the electrical system, placing it on the floor with only minor attachment work required, where equipment installation by the company selling the equipment is a condition of the guarantee, and where the cost of installation is less than 13% of the total cost of the equipment.

Davis-Bacon wage rates do not apply to the assisted business's existing work force or to newly hired low and moderate income persons when they are employed at their regular duties as described in their regular job description. The business receiving CDBG assistance may utilize its existing

labor force for minor, incidental work on project construction activities only when no separate contracts to perform the work involved in the project activities are entered into by the business and its existing work force. The laborers cannot conduct work that is required to be done by licensed or certified persons (e.g. electricians, carpenters, or plumbers).

C. BUILDING CODE AND CONSTRUCTION STANDARDS ENFORCEMENT

Economic development projects often include using CDBG funds for renovation, construction, rehabilitation, expansion and modification of structures for commercial purposes. Commercial and industrial facilities for which CDBG funds are used for construction must be in compliance with the requirements contained in the current editions of the following:

- National Electric Code, as amended;
- Uniform Plumbing Code, as amended;
- Uniform Mechanical Code; and
- Uniform Building Code.

Permits must be obtained from the Business Regulation Division of the Montana Department of Commerce for all electrical and/or plumbing work undertaken with CDBG funds unless the local government has been certified by the Division to enforce the codes cited above. In such cases, permits will be obtained locally. Grantees will be responsible for assuring that such work is inspected by proper authorities.

D. PROGRAM INCOME

"Program income" is any income earned from CDBG supported activities such as repayments of principal and interest from loans for economic development.

Under the Federal Housing and Community Development Act, a State may require a local government to return program income to the State to fund additional CDBG activities, except where the local government uses the program income "to continue the activity from which such income was derived." For the economic development category only, "same activity" is defined by the Department as the same loan to the same business in the same location for the project defined in the application as approved by the Department.

The Department will allow local governments to retain program income at the local level if an acceptable program income plan is submitted with the application. The local government must be able to demonstrate that it has, or can quickly develop, the capacity to set up and manage a revolving loan fund for economic development purposes. The local government must be willing to commit the necessary resources, including financial support, to the proper management of the program income received from CDBG financed loans and other CDBG program income. If the program income plan and proposed level of support and resources committed to by the applicant community are determined to be inadequate, the Department will recover program income and commit it to the CDBG economic development category.

If a community which has previously received a CDBG economic development award that has not been closed out and is a recipient of CDBG funds at a later date, unobligated program income from the earlier economic development CDBG project

must be expended on activities under the new CDBG project before the community can request funds for its new grant. A detailed source of information regarding program income and property management and disposition requirements can be obtained from the Department as Exhibit 4-G in the CDBG Administration Manual.

E. PROPERTY MANAGEMENT AND DISPOSITION

Federal property management requirements apply to real property within the grantee's control which was acquired or improved in whole or in part using CDBG funds in excess of \$25,000. These requirements apply from the date CDBG funds are first spent for the property until five years after closeout of the grant from which the assistance to the property was provided.

F. ACQUISITION

Federal requirements specify that local governments proposing the public acquisition of real estate or easements as part of a CDBG funded project must formally notify the effected property owner(s), prepare an appraisal to determine fair market value, have the appraisal reviewed, and make a written offer to purchase based upon an amount determined to be "just compensation".

Federal requirements also apply to assisted nonprofit agencies or private for-profit businesses which propose to use CDBG dollars for land acquisition. Local governments or businesses considering acquisition of real property as part of a CDBG project should contact the Department for guidance.

VII. OTHER REQUIREMENTS WHICH APPLY TO CDBG APPLICATIONS

A. STATE COMMUNITY DEVELOPMENT OBJECTIVES

Under federal law, the Department of Commerce must annually prepare a Performance and Evaluation Report to HUD which must relate each grant recipient's use of CDBG funds to the State's community development objectives. In order for the Department to fulfill this requirement each CDBG applicant must identify the State objective(s) which its proposed project responds to. Appendix G describes the State's objectives for the Montana CDBG Program.

B. PROJECT BUDGET

Applicants should apply only for the level of funding necessary to carry out the project. Grant requests must be sufficient either by themselves or in combination with other proposed funding sources to complete the proposed activities within the contract period. Each applicant must propose a budget which is sufficient to assure effective administration and timely project completion. A budget form is attached as Appendix C, Sources and Uses Form.

The total budget of any proposed CDBG project should be divided between "activity costs" (such as loan to a for-profit business for equipment, working capital, etc.) and "administrative costs." The administrative budget covers the costs of implementing a local project, including costs involved in preparing the required environmental review; the cost of the local government audit; and other contractual costs for professional services that may be associated with administration of the program.

The budget must be accompanied by a narrative justification for the specific proposed CDBG project activities and related administrative costs, including a breakdown of total project costs which identifies sources and amount of all non-CDBG funds to be used. The cost estimates for each item in the proposed budget must be explained in the narrative. For other sources of funds that are needed to complete the project, the status of these funds and how they will be used with CDBG funds should also be described and documented (land and equipment appraisals, architects cost estimates, etc.)

Administrative costs must be appropriate and commensurate with the project being undertaken. Any proposed administrative costs must be eligible, fully supported, and explained. In no case may the administrative budget for the grant exceed 18 percent of the total grant requested. Applicants which propose to contract for project management assistance with a consultant or other entity must specifically itemize this amount in the administrative budget and explain it.

Costs incurred by the grantee or the business prior to award of the grant and release of funds by the Department (such as: fees for preparing the application; a community survey or needs assessment; preparation of the environmental review record if conducted prior to award; or expenses incurred by the business to be assisted) are not eligible for reimbursement with CDBG funds in the event of a grant award.

Applicants should be especially careful to see that all potential costs for carrying out the project are identified prior to submitting the application.

Consideration should be given to costs such as:

- day-to-day project management activities specific to the type of project proposed;
- compliance with State and federal requirements;
- tracking the hiring of low and moderate income persons;
- assuring that the income status of persons claiming low and moderate income status is verified;
- monitoring the expenditure of CDBG funds and matching funds by the business;
- preparation of reports;
- bookkeeping;
- legal services;
- travel or registration fees for project-related training;
- conducting the environmental review and publishing required public notices;
- appraisals;
- acquisition of land or easements;
- engineering design;
- Davis-Bacon (prevailing wage) requirements which will increase construction costs and monitoring responsibilities;
- construction inspections; and
- audit and project closeout.

The Department recommends that applicants budget from \$2,000 to \$3,000 for final project audit. Applicants are also encouraged to budget \$1,000 for technical assistance from the DOC Local Government Services Bureau in establishing their financial management system for project funds, unless they have been a recent grant recipient under the State CDBG Program and have already received this assistance.

There are no minimum amounts required for grant requests. However, a community considering a relatively small grant request should consider whether the proposed project would result in questionably high administrative costs relative to the actual project cost. In these circumstances, applicants are encouraged to contact the Department of Commerce to discuss their proposed project prior to submittal of the application.

C. RESOLUTION TO AUTHORIZE APPLICATION

Each application for CDBG funds must be accompanied by a copy of a resolution or motion duly adopted or passed as an official act by the applicant's governing body within six months of the date of application which:

- authorizes the submission of the application;
- states the applicant's willingness to abide by the federal requirements described in the CDBG Statement of Assurances (Appendix F); and
- authorizes the applicant's chief elected official to act on its behalf in regard to the application and to provide such additional information as may be required.

Sample formats for this resolution are provided in the application forms packet available from DOC.

The Department of Commerce will assume that the applicant has determined its legal authority under Montana law to apply for the grant and to conduct the activities proposed in the application. The Department may request additional information from the applicant if it is aware of any evidence to the contrary.

D. MAPS

Each application must include clearly legible maps which illustrate the applicant's political jurisdiction and the proposed project area. Applicants are encouraged to submit maps at the minimum size and scale that will clearly convey all required information. Applicants must submit maps of a different scale where this will increase clarity. More than one type of information may be combined on one map if the information is clearly legible when combined.

1. Political Jurisdiction Map

The map of the applicant's political jurisdiction must identify:

- the boundaries of the entire jurisdiction;
- the project's location within the jurisdiction;
- if applicable, the service area of the project; and

2. Project Area Map

The map of the proposed project area must identify:

- the boundaries of the project area; and
- the locations of the proposed activities

All project activities must take place within the project area boundaries, unless specifically authorized by the Department of Commerce.

Maps identifying the enumeration districts within each county may be ordered from the Census and Economic Information Center, Montana Department of Commerce, Capitol Station, Helena, Montana 59620, (telephone 444-2896). Microfiche copies of the county enumeration district maps are available free; paper copies of the maps may be purchased.

Maps of Montana's counties, cities and towns can also be ordered from the Montana Department of Highways, Planning and Statistics Bureau, 2701 Prospect Avenue, Helena, Montana 59620 (telephone 444-6119).

Note: The CDBG Application Guidelines for Housing and Public Facility Projects contains additional general information regarding project ranking and start-up procedures in section VII. PROCEDURES FOR GRANT AWARD.

APPENDICES

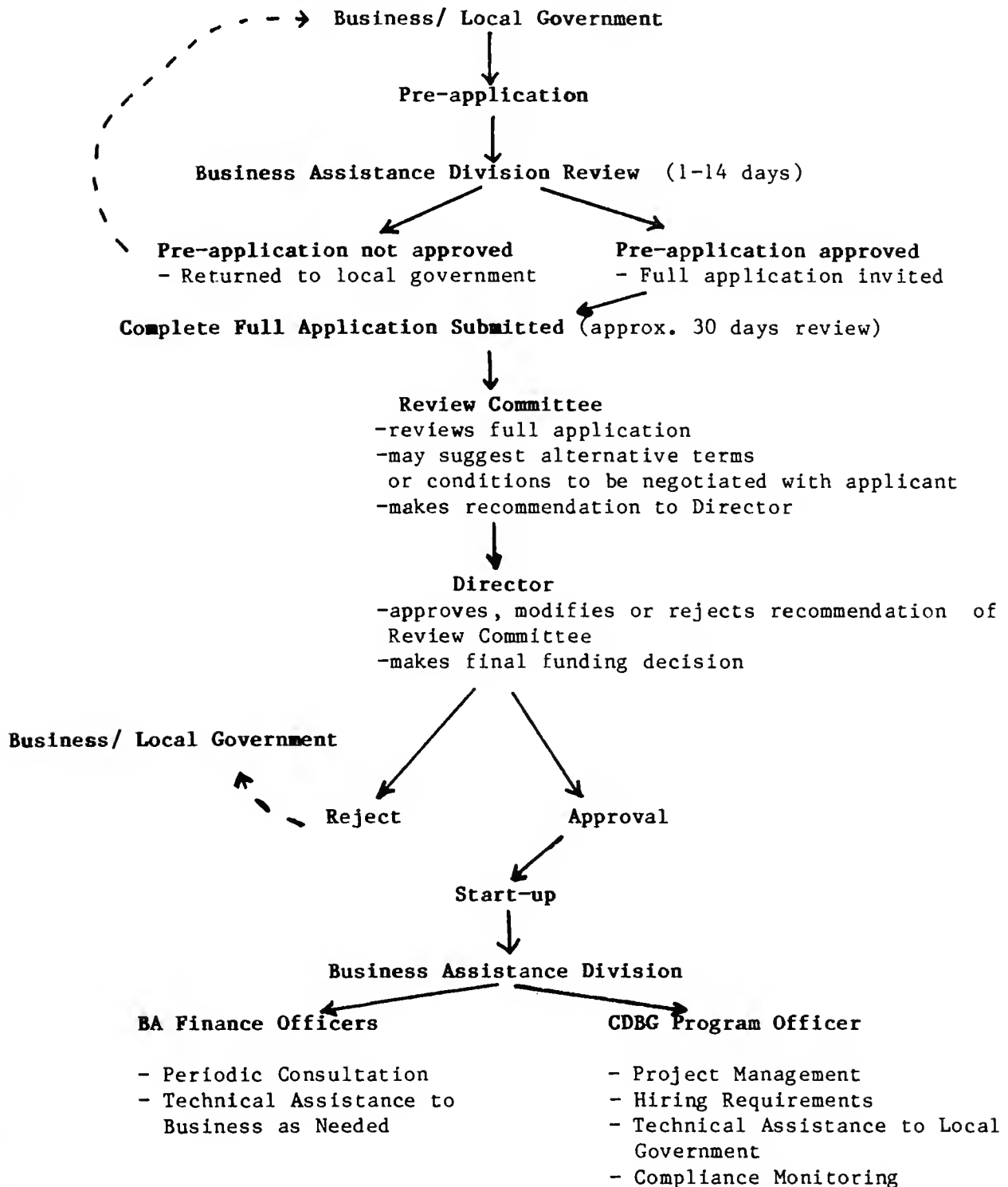


APPENDIX A

MONTANA DEPARTMENT OF COMMERCE

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

PROPOSED ECONOMIC DEVELOPMENT APPLICATION REVIEW PROCESS



APPENDIX B

MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

ECONOMIC DEVELOPMENT PRE-APPLICATION FORM

I. APPLICANT INFORMATION

A. Applicant Community

Name: _____

Address: _____

Chief Elected Official: _____

Contact Person: _____ Telephone Number: _____

Address: _____

B. Applicant Business

Name of Company: _____

Address: _____

Contact Person: _____ Telephone Number: _____

Address: _____

II. BUSINESS PLAN INFORMATION

A. Number of Years in Business: _____

B. Form of Business Organization: Sole Proprietorship____; Partnership____;
Corporation____; Other_____

C. Business Description and Project Plan (Provide a business plan and project description with special emphasis on marketing studies and strategy).

D. Attach a complete set of financial statements described in the Montana CDBG Application Guidelines in section III(A)(5) - Financial Exhibits.

E. Complete the attached budget form and include all sources and uses of funds proposed for the project. Include a narrative rationale of the budget costs.

F. Projected Financing and Collateral Positions

1. Proposed Financing

Lender	Principal	Rate	Term	Annual D/S

2. Proposed Collateral Positions

Lender	Type of Collateral	Value	Security Position

G. Attach letters of commitment from proposed sources of new funds, including the business owners.

III. PROJECT TIMETABLE

- A. Start-up Date: _____
- B. Completion Date: _____
- C. Hiring Started: _____
- D. Hiring Completed: (generally should be two years) _____
- _____

VI. THRESHOLDS (CDBG Application Guidelines, Section IV)

- A. Cost Per LMI FTE Job: _____ (Must be less than \$20,000)
- B. Percentage of Benefit to LMI: _____ (Must be at least 51%)
- C. Debt to Equity Ratio Projected: _____ (Cannot exceed 5:1)

D. Ratio of Matching Funds Committed: _____ (Must be at least 1:1)

E. Total Amount of Equity Funds Committed: _____

V. HIRING AND TRAINING (CDBG Application Guidelines, Section IV (F))

A. Number of Existing Full Time Equivalent (FTE) Jobs: _____

B. Number of FTE Jobs to be Created: _____

C. Number of FTE Jobs to be Retained: _____

D. Number of FTE Jobs to be Created for Low and Moderate Income Persons (LMI): _____

E. Number of FTE Jobs to be Retained for LMI Persons: _____

F. Total Percentage of FTE Jobs for LMI Persons: _____

G. Agency To Be Responsible for Tracking Job Creation and LMI Verification: _____

H. Attach Letter of Commitment to Hiring Goal by Principal of Firm.

VI. CERTIFICATIONS

As the responsible authorized agents of (Name of Applicant Community), and (Name of Applicant Business), We hereby submit this Community Development Block Grant Economic Development Pre-Application. The information presented in this pre-application is, to the best of our knowledge, true and accurately represents the proposed project. We understand that approval of this pre-application in no way binds the Department of Commerce in any way to accept and approve a full application for this project. If a full application is invited, We understand that additional information and documentation will be required. (Name of Community) will accept responsibility for management of the project and compliance with CDBG regulations. (Name of Business) will accept responsibility for compliance with applicable CDBG regulations and to the hiring of low and moderate income persons as specified in this pre-application.

Signature (Applicant Community)

Typed Name and Title

Date

Signature (Applicant Business)

Typed Name and Title

Date

APPENDIX C
CDBG APPLICATION FORM FOR ECONOMIC DEVELOPMENT PROJECTS
SOURCES AND USES

	CDBG	OTHER:	OTHER:	TOTAL
ADMINISTRATION				
PERSONAL SERVICES				
Salaries, Wages and	\$	\$	\$	\$
Fringe Benefits				
OFFICE COSTS				
Supplies				
Postage, Printing & Pub.				
Telephone				
PROFESSIONAL SERVICES				
Consulting				
Legal				
Audit				
Local Gov't Services T.A.				
OTHER				
Travel and Training				
TOTAL ADMINISTRATION	\$	\$	\$	\$
ACTIVITY				
ACQUISITION				
CONSTRUCTION				
RENOVATION				
MACHINERY/EQUIPMENT				
WORKING CAPITAL				
OTHER				
TOTAL PROJECT	\$	\$	\$	\$

APPENDIX D

CALCULATION OF BENEFIT TO LOW AND MODERATE INCOME PERSONS

The following format can be used by communities to prepare forms to document the eligibility of families that will receive "direct benefits" through the creation or retention of jobs as a result of a local CDBG economic development project. This Appendix contains income figures for the upper limits of "moderate" (lower) income, according to household size, for each county in the State. The figures for "moderate" income for the county in which the project will be located should be placed under the appropriate spaces on the form for each family size.

Income Certification Format For Job Creation and/or Retention

MODEL FORMAT

The following information is necessary for you to be eligible for assistance under our community's Community Development Block Grant (CDBG) project. The CDBG Program is a federal program intended to assist "low and moderate income families." Your response will be kept confidential and will not be available to the general public.

Included in the federal definition of "annual income" are all payments from all sources received by the family head (even if temporarily absent) and each additional members of the family household who is not a minor. Income includes:

1. The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
2. The net income from operation of a business or profession or from rental or real or personal property (this includes gross receipts, minus operating expenses, received from the operation of an unincorporated farm or ranch);
3. Interest and dividends;
4. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;
6. Public assistance;
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and

8. All regular pay, special pay and allowances of a member of the armed forces (whether or not living in the dwelling) who is head of the family or spouse.

CDBG Income Limits By Size of Household

1 Person 2 Person 3 Person 4 Person 5 Person 6 Person 7 Person 8 Person

(Note to Person Preparing Form: Insert the appropriate "moderate" (lower) income limits for each size of household from this Appendix here.)

I certify that, after reviewing the definition of "annual income" above, the total gross income of all members of my family for 198__ does not exceed the amount listed above for the size of my family. I further certify that the above statement is true, accurate, and complete to the best of my knowledge and belief. I agree to provide income verification if requested by local officials.

Applicant's Signature

Address

Date

NOTE: Section 1001 of Title 18 of the United States Code and Criminal Procedure shall apply to the foregoing certification. Title 18 provides, among other things, that whoever knowingly and willfully makes or uses a document or writing containing any false, fictitious, or fraudulent statement or entry, in any matter within the jurisdiction of any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned not more than five years or both.

PREPARED: 12-1-88

FY 1989 MEDIAN FAMILY
INCOME: 32200

FY 1989 MEDIAN FAMILY INCOME: 29300

**FY 1989 MEDIAN FAMILY
INCOME: 23300**

FY 1989 MEDIAN FAMILY INCOME: 25500

COUNTY: MT BLAINE
 FY 1989 MEDIAN FAMILY
 INCOME: 23100

**FY 1989 MEDIAN FAMILY
INCOME: 21400**

**FY 1989 MEDIAN FAMILY
INCOME: 25100**

FY 1989 MEDIAN FAMILY
INCOME: 20800

CONV : MI CHOUTEAU
FY 1989 MEDIAN FAMILY
INCOME: 26700

COUNTY : MT CUSTER
 FY 1989 MEDIAN FAMILY
 INCOME: 29800

UNIT : MT DANIELS
FY 1989 MEDIAN FAMILY
INCOME: 25,400

UNLY : MT DAWSON
FY 1989 MEDIAN FAMILY
INCOME: 21000

[illegible]

STATE: MONTANA
PREPARED: 12-1-88

		-----I N C O M E L I M I T S-----							
PROGRAM		1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
COUNTY : MT DEER LODGE									
FY 1989 MEDIAN FAMILY INCOME: 27000	LOWER INCOME	15250	17400	19550	21750	23100	24450	25850	27200
	VERY LOW INCOME	9500	10900	12250	13600	14700	15800	16850	17950
COUNTY : MT FALLON									
FY 1989 MEDIAN FAMILY INCOME: 29700	LOWER INCOME	16650	19000	21350	23750	25250	26700	28250	29700
	VERY LOW INCOME	10400	11900	13350	14850	16050	17250	18400	19600
COUNTY : MT FERGUS									
FY 1989 MEDIAN FAMILY INCOME: 24700	LOWER INCOME	15250	17400	19550	21750	23100	24450	25850	27200
	VERY LOW INCOME	9500	10900	12250	13600	14700	15800	16850	17950
COUNTY : MT FLATHEAD									
FY 1989 MEDIAN FAMILY INCOME: 28300	LOWER INCOME	15850	18100	20400	22650	24050	25500	26900	28300
	VERY LOW INCOME	9900	11300	12750	14150	15300	16400	17550	18700
COUNTY : MT GALLATIN									
FY 1989 MEDIAN FAMILY INCOME: 27200	LOWER INCOME	15250	17400	19550	21750	23100	24450	25850	27200
	VERY LOW INCOME	9650	11050	12400	13800	14900	16000	17100	18200
COUNTY : MT GARFIELD									
FY 1989 MEDIAN FAMILY INCOME: 21900	LOWER INCOME	15250	17400	19550	21750	23100	24450	25850	27200
	VERY LOW INCOME	9500	10900	12250	13600	14700	15800	16850	17950
COUNTY : MT GLACIER									
FY 1989 MEDIAN FAMILY INCOME: 24500	LOWER INCOME	15250	17400	19550	21750	23100	24450	25850	27200
	VERY LOW INCOME	9500	10900	12250	13600	14700	15800	16850	17950
COUNTY : MT GOLDEN VALLE									
FY 1989 MEDIAN FAMILY INCOME: 20900	LOWER INCOME	15250	17400	19550	21750	23100	24450	25850	27200
	VERY LOW INCOME	9500	10900	12250	13600	14700	15800	16850	17950
COUNTY : MT GRANITE									
FY 1989 MEDIAN FAMILY INCOME: 22500	LOWER INCOME	15250	17400	19550	21750	23100	24450	25850	27200
	VERY LOW INCOME	9500	10900	12250	13600	14700	15800	16850	17950
COUNTY : MT HILL									
FY 1989 MEDIAN FAMILY INCOME: 31100	LOWER INCOME	17450	19900	22400	24900	26450	28000	29600	31150
	VERY LOW INCOME	10900	12450	14000	15550	16800	18050	19300	20550
COUNTY : MT JEFFERSON									
FY 1989 MEDIAN FAMILY INCOME: 27200	LOWER INCOME	15250	17400	19550	21750	23100	24450	25850	27200
	VERY LOW INCOME	9500	10900	12250	13600	14700	15800	16850	17950
COUNTY : MT JUDITH BASIN									
FY 1989 MEDIAN FAMILY INCOME: 23800	LOWER INCOME	15250	17400	19550	21750	23100	24450	25850	27200
	VERY LOW INCOME	9500	10900	12250	13600	14700	15800	16850	17950
								020289	165305

STATE: MONTANA
PREPARED: 12-1-88

		-----I N C O M E L I M I T S-----							
PROGRAM		1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
COUNTY : MT PHILLIPS									
FY 1989 MEDIAN FAMILY INCOME: 21400	LOWER INCOME VERY LOW INCOME	15250 9500	17400 10900	19550 12250	21750 13600	23100 14700	24450 15800	25850 16850	27200 17950
COUNTY : MT PONDERA									
FY 1989 MEDIAN FAMILY INCOME: 30400	LOWER INCOME VERY LOW INCOME	17000 10650	19450 12150	21850 13700	24300 15200	25800 16400	27350 17650	28900 18850	30400 20050
COUNTY : MT POWDER RIVER									
FY 1989 MEDIAN FAMILY INCOME: 28600	LOWER INCOME VERY LOW INCOME	16050 10000	18300 11450	20600 12850	22900 14300	24350 15450	25750 16600	27200 17750	28650 18900
COUNTY : MT POWELL									
FY 1989 MEDIAN FAMILY INCOME: 24600	LOWER INCOME VERY LOW INCOME	15250 9500	17400 10900	19550 12250	21750 13600	23100 14700	24450 15800	25850 16850	27200 17950
COUNTY : MT PRAIRIE									
FY 1989 MEDIAN FAMILY INCOME: 17400	LOWER INCOME VERY LOW INCOME	15250 9500	17400 10900	19550 12250	21750 13600	23100 14700	24450 15800	25850 16850	27200 17950
COUNTY : MT RAVALLI									
FY 1989 MEDIAN FAMILY INCOME: 23700	LOWER INCOME VERY LOW INCOME	15250 9500	17400 10900	19550 12250	21750 13600	23100 14700	24450 15800	25850 16850	27200 17950
COUNTY : MT RICHLAND									
FY 1989 MEDIAN FAMILY INCOME: 32100	LOWER INCOME VERY LOW INCOME	18000 11250	20550 12850	23150 14450	25700 16050	27300 17350	28900 18600	30550 19900	32150 21200
COUNTY : MT ROOSEVELT									
FY 1989 MEDIAN FAMILY INCOME: 25900	LOWER INCOME VERY LOW INCOME	15250 9500	17400 10900	19550 12250	21750 13600	23100 14700	24450 15800	25850 16850	27200 17950
COUNTY : MT ROSEBUD									
FY 1989 MEDIAN FAMILY INCOME: 32000	LOWER INCOME VERY LOW INCOME	17900 11200	20500 12800	23050 14400	25600 16000	27200 17300	28800 18550	30450 19850	32000 21100
COUNTY : MT SANDERS									
FY 1989 MEDIAN FAMILY INCOME: 22200	LOWER INCOME VERY LOW INCOME	15250 9500	17400 10900	19550 12250	21750 13600	23100 14700	24450 15800	25850 16850	27200 17950
COUNTY : MT SHERIDAN									
FY 1989 MEDIAN FAMILY INCOME: 26900	LOWER INCOME VERY LOW INCOME	15250 9500	17400 10900	19550 12250	21750 13600	23100 14700	24450 15800	25850 16850	27200 17950
COUNTY : MT SILVER BOW									
FY 1989 MEDIAN FAMILY INCOME: 27900	LOWER INCOME VERY LOW INCOME	15600 9750	17850 11150	20050 12550	22300 13950	23700 15050	25100 16200	26500 17300	27900 18400

020289 165305

Federal Standards for Definition of Low and Moderate Income Status

(Income eligibility standards from the U.S. Housing Act of 1937)

Section 889.103 Determination of income for eligibility.

For purposes of determining whether a family is a lower-income family ("moderate income") for CDBG purposes) or a very low-income family, ("low income" for CDBG purposes), income shall be determined in accordance with Section 889.104, except that where a family has net family assets in excess of \$5,000, income shall include the actual amount of income, if any, derived from all of the net family assets or 10 percent of the value of all such assets, whichever is greater. For purposes of this section, net family assets means value of equity in real property, savings, stocks, bonds, and other forms of capital investment. The value of necessary items such as furniture and automobiles shall be excluded.

Section 889.104 Computation of annual income.

- (a) Except as provided in paragraph (b) of this section, all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor shall be included in the annual income of a family. Income shall include, but not be limited to:
- (1) The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
 - (2) The net income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business);
 - (3) Interest and dividends;
 - (4) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
 - (5) Payments in lieu of earnings, such as unemployment and disability compensation, workmen's compensation and severance pay (see paragraph (8) (b) (3) of this section).
 - (6) Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the

amount of public assistance income to be included as income shall consist of:

- (i) The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus
 - (ii) The maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities.
- (7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling:
 - (8) All regular pay, special pay and allowances of a member of the armed forces (whether or not living in the dwelling) who is head of the family or spouse (see paragraph (8) (b) (5) of this section).

(b) The following items shall not be considered as income:

- (1) casual, sporadic or irregular gifts;
- (2) amounts which are specifically for or in reimbursement of the cost of medical expenses;
- (3) lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains and settlement for personal or property losses;
- (4) Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment. Any amounts of such scholarships, or payments to veterans, not used for the above purposes of which are available for subsistence are to be included in income;
- (5) The special pay to a serviceman head of a family away from home and exposed to hostile fire;
- (6) Relocation payments made pursuant to Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;
- (7) foster child care payments;
- (8) the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged the eligible household;
- (9) payments received pursuant to participation in the following volunteer programs under the ACTION Agency;

- (i) National Volunteer Antipoverty Programs which include VISTA, Service Learning Programs and Special Volunteer Programs.
- (ii) National Older American Volunteer Programs for persons aged 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executive (SCORE) and Active Corps of Executives (ACE).

**Calculation of CDBG Funds Used to Benefit
Low and Moderate Income (LMI) Households and
Citation of National Objectives**

The attached form should be used by applicants to document compliance with two important CDBG requirements: (a) benefit to low and moderate income persons and (b) national objectives.

A. Benefit to Low and Moderate Income Persons.

The calculation of benefit to low and moderate income households or persons is a two stage process. First, the percentage of benefit to low and moderate income households or persons must be calculated for each activity. Then, these percentages must be applied to the CDBG funds requested for each activity to get the total number of dollars that will benefit low and moderate income households or persons. Each step in the calculation is described below. Applicants should use the following form to describe the total CDBG dollar and percentage benefit that will result from their proposed projects. Either households or persons may be used as the basis for calculation as long as the method selected is consistent with the method used to verify the household income levels.

1. In column A, describe the activity by name, such as "Loan to For-Profit". Do not include administrative activities. The activities should be the same as shown on the application budget form under "ACTIVITY."
2. In column B, show the total number of families that the activity will serve.
3. In column C, show the number of low and moderate income families that the activity will serve.
4. In column D, show the percentage of low and moderate income families that the activity will serve. This is derived by dividing the number in column C by the number in column B for that activity.
5. In column E, show the total amount of CDBG funds requested for the activity. This should be the same as shown on the application budget form under "ACTIVITY."
6. In column F, show the amount of those funds that will be used to benefit low and moderate income families. This is derived by multiplying column E by the percentage in column D.
7. At the bottom of column E, show the total amount of non-administrative CDBG funds by adding up the CDBG funds requested for each activity.

8. At the bottom of column F, show the total amount of funds that will be used to benefit low and moderate income families by adding up the amount of funds to benefit low and moderate income families for each activity.
9. Determine overall benefit by dividing the total of column F by the total of column E to get the total CDBG project benefit to low and moderate income families. Include percentage at bottom of form.

B. National Objectives

The Housing and Community Development Act of 1974 requires all applicants for CDBG funds to declare which of the three national objectives for the CDBG program will be served by each activity proposed. In column G, "NATIONAL OBJECTIVE SERVED" on the attached form, please enter, for each proposed activity: "LMI" if the activity will principally benefit persons of low and moderate incomes; S/B if the activity will principally eliminate slums or blight; or H/W if the activity meets a community needs which poses a serious and immediate threat to health or welfare.

For all CDBG projects, "benefit to low and moderate income persons" (LMI) will be the most appropriate national objective to cite on the form.

CALCULATION OF CDBG FUNDS TO BENEFIT LOW AND MODERATE INCOME (LMI) HOUSEHOLDS
AND CITATION OF NATIONAL OBJECTIVES

A	B	C	D	E	F	G
ACTIVITY DESCRIPTION (Do not include administrative activities)	# OF HOUSEHOLDS ACTIVITY WILL SERVE	# OF LMI HOUSEHOLDS ACTIVITY WILL SERVE	% OF LMI HOUSEHOLDS ACTIVITY WILL SERVE	AMOUNT OF CDBG FUNDS FOR ACTIVITY	AMOUNT OF CDBG FUNDS TO BENEFIT LMI	NATIONAL OBJECTIVE SERVED
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						

TOTAL \$ TOTAL \$

Overall percent benefit to low and moderate income households = $\frac{\text{Column F}}{\text{Column E}}$ = _____ %

APPENDIX F

MONTANA DEPARTMENT OF COMMERCE STATE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

STATEMENT OF ASSURANCES

Each applicant must agree to comply with all applicable State and federal laws and regulations in implementing their proposed CDBG project, if it is selected for funding. Listed in the following Statement of Assurances are the most important federal regulations that apply to projects using CDBG funds. They cover a wide range of issues including environmental impacts, labor standards, employment practices, financial procedures, and civil rights, many of which can have an affect on the costs or complexity of project implementation. Each federal law or regulation is annotated to give the applicant a general understanding of the requirements that must be met. Since this is a brief summary and not intended to be a comprehensive description of each law, local officials who have any questions or concerns regarding the applicability of these requirements should contact the Department for guidance.

**MONTANA DEPARTMENT OF COMMERCE
STATE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

STATEMENT OF ASSURANCES

The Applicant hereby assures and certifies that:

ACCEPTANCE OF CDBG PROGRAM REQUIREMENTS

It will comply with all applicable parts of Title I of the Housing and Community Development Act of 1974, as amended, which have not been cited herein as well as with other applicable federal laws and regulations.

It will comply with all requirements established by the Department of Commerce to ensure conformance to applicable State laws, regulations, and administrative procedures.

It accepts the terms, conditions, selection criteria, and procedures established by the Montana Community Development Block Grant Program and expressly waives any statutory or common law right it may have to challenge the legitimacy and propriety of these terms, conditions, criteria, and procedures in the event that it is not selected for an award of CDBG funds.

ACQUISITION, DISPLACEMENT AND RELOCATION

It will minimize displacement as a result of activities assisted with CDBG funds and assist persons actually displaced.

It will comply with:

- Sections 301 and 302 of Title III (Uniform Real Property Acquisition Policy) of the Uniform Relocation Assistance and Real Property Policies Act of 1970 and will comply with Sections 303 and 304 of the Title III, and HUD implementing instructions contained in 24 CFR Part 42. The grantee must inform affected persons of their rights and of the acquisition policies and procedures set forth in the regulations of 24 CFR, Part 42 and 24 CFR 570.602(b);
- Title II (Uniform Relocation Assistance) of the Uniform Relocation Assistance and Property Acquisition Act of 1970 and HUD implementing regulations of 24 CFR Part 42 and 24 CFR 570.602(a) which require the Grantee to provide relocation payments and offer relocation assistance as described in Section 205 of the Uniform Relocation Assistance Act to all persons displaced as a result of acquisition of real property for an activity assisted under the CDBG Program. Such payments and assistance must be provided in a fair and consistent and equitable manner that ensures that the relocation process does not result in a different or separate treatment of such persons on account of race, color, religion, national origin, sex or source of income. The grantee must assure that, within a reasonable period of time prior to displacement, decent, safe and sanitary replacement dwellings will be available

to all displaced families and individuals and that the range of choices available to such persons will not vary on account of their race, color, religion, national origin, sex or source of income; and

- The Antidisplacement and Relocation Assistance Plan adopted by the Montana Department of Commerce for the Fiscal Year 1988 Montana CDBG program.

ASSESSMENTS FOR PUBLIC IMPROVEMENTS

It will not attempt to recover any capital costs of public improvements assisted in whole or part with CDBG funds by assessing any amount against properties owned and occupied by persons of low and moderate income, including any fee charged or assessment made as a condition of obtaining access to such public improvements, unless:

- a. CDBG funds are used to pay the proportion of such fee or assessment that relates to the capital costs of such public improvements that are financed from revenue sources other than CDBG funds; or,
- b. for purposes of assessing any amount against properties owned and occupied by persons of low and moderate income who are not persons of very low income, the applicant certifies that it lacks sufficient CDBG funds to comply with the requirements of clause (a), above.

BUILDING STANDARDS

It will require every building or facility (other than a privately owned residential structure) designed, constructed, or altered with funds provided under the Montana CDBG Program to comply with the "American Standard Specifications for Making Buildings and Facilities Accessible to, and Usable by, the Physically Handicapped," Number A-117.1R 1971, subject to the exceptions contained in CFR 101-19.604. It will also comply with the Architectural Barriers Act of 1968 and HUD regulations 24 CFR part 8, "Nondiscrimination Based on Handicap in Federally Assisted Activities of HUD". The applicant will be responsible for conducting inspections to insure compliance with these specifications by the contractor; and will comply with HUD Cost-Effective Energy Standards, 24 CFR Part 39.

CITIZEN PARTICIPATION

It will comply with the detailed Citizen Participation Plan adopted by the Montana Department of Commerce for the Montana CDBG program.

CIVIL RIGHTS, EQUAL OPPORTUNITY, AND FAIR HOUSING REQUIREMENTS

Civil Rights

It will comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.), and the regulations issued pursuant thereto (24 CFR Part 1), which provides that no person in the United States shall on the grounds of race,

color, or national origin, be excluded from participation in, be denied in the benefits of, or be otherwise subjected to discrimination under any program or activity for which the applicant received Federal financial assistance and will immediately take any measures necessary to effectuate this assurance. If any real property or structure thereon is provided or improved with the aid of Federal financial assistance extended to the applicant, this assurance shall obligate the applicant, or in the case of any transfer of such property, any transferee, for the period during which the real property or structure is used for a purpose for which the Federal financial assistance is extended, or for another purpose involving the provision of similar services or benefits.

Equal Opportunity

It will comply with:

- Section 109 of the Housing and Community Development Act of 1974 (ACT), as amended, and the regulations issued pursuant thereto (24 CFR 570.601), which provides that no person in the United States shall, on the grounds of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with funds provided under the Act;
- the Age Discrimination Act of 1975, as amended (42 U.S.C. 6101 et seq.). The act provides that no person shall be excluded from participation, denied program benefits or subjected to discrimination on the basis of age under any program or activity receiving federal funding assistance;
- Section 504 of the Rehabilitation Act of 1973, amended (29 U.S.C. 794). The act provides that no otherwise qualified individual shall, solely, by reason of his or her handicap, be excluded from participation (including employment), denied program benefits or subjected to discrimination under any program or activity receiving federal assistance funds;
- Section 3 of the Housing and Community Development Act of 1968 (12 U.S.C. 170/u) (24 CFR Part 135). Section 3 of the Housing and Urban Development Act of 1968 requires, in connection with the planning and carrying out of any project assisted under the Act, to the greatest extent feasible, opportunities for training and employment be given to lower-income persons residing within the unit of local government or the nonmetropolitan county in which the project is located, and contracts for work in connection with the project be awarded to eligible business concerns which are located in, or owned in substantial part, by persons residing in the project area. The grantee must assure good faith efforts toward compliance with the statutory directive of Section 3; and
- Executive Order 11246, as amended by Executive Orders 11375 and 12086, and the regulations issued pursuant thereto (24 CFR Part 130 and 41 CFR Chapter 60) prohibit a CDBG recipient and subcontractors, if any, from discriminating against any employee or applicant for employment because of race, color, religion, sex

or national origin. The grantee and subcontractors, if any, must take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action must include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rate of pay or other forms of compensation; and selection for training, including apprenticeship. The grantee and subcontractors must post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this nondiscrimination clause. For contracts over \$10,000 the grantee or subcontractors will send to each applicable labor union a notice of the above requirements, the grantee and subcontractors will comply with relevant rules, regulations and orders of the U.S. Secretary of Labor. The grantee or subcontractors must make their books and records available to State and federal officials for purposes of investigation to ascertain compliance.

Fair Housing

It will affirmatively further fair housing and will comply with:

- Title VIII of the Civil Rights Act of 1968 (42 U.S.C. 3601 et seq.), as amended. The law states that it is the policy of the United States and prohibits any person from discriminating in the sale or rental of housing, the financing of housing or the provision of brokerage services, including in any way making unavailable or denying a dwelling to any person, because of race, color, religion, sex or national origin. CDBG grantees must also administer programs and activities relating to housing and community development in a manner that affirmatively promotes fair housing and furthers the purposes of Title VIII; and
- Executive Order 11063, as amended by Executive Order 12259, requires CDBG recipients to take all actions necessary and appropriate to prevent discrimination because of race, color, religion, creed, sex or national origin; in the sale, leasing, rental and other disposition of residential property and related facilities (including land to be developed for residential use); or in the use or occupancy thereof if such property and related facilities are, among other things, provided in whole or in part with the aid of loans, advances, grants or contributions from the federal government.

Conflict of Interest

It will comply with the provisions of 24 CFR 570.611, 24 CFR 85.36, and with sections 2-2-125, 2-2-201, 7-3-4367, 7-5-2106, and 7-5-4109, MCA, (as applicable) regarding the avoidance of conflict of interest.

ENVIRONMENTAL REQUIREMENTS

Air Quality

It will comply with the Clean Air Act (42 U.S.C. 7401, et seq.) which prohibits engaging in, supporting in any way or providing financial assistance for, licensing or permitting, or approving any activity which does not conform to the State implementation plan for national primary and secondary ambient air quality standards.

Environmental Impact

It will comply with:

- Section 104(f) of the Housing and Community Development Act of 1974, as amended through 1981. This section expresses the intent that "the policies of the National Environmental Policy Act of 1969 and other provisions of law which further the purposes of such Act be most effectively implemented in connection with the expenditure of funds under" the Act. Such other provisions of law which further the purpose of the National Environmental Policy Act of 1969 are specified in regulations issued pursuant to Section 104(f) of the Act and contained in 24 CFR Part 58; and
- The National Environmental Policy Act of 1969 (42 U.S.C. Section 4321, et seq. and 24 CFR Part 58). The purpose of this Act is to attain the widest use of the environment without degradation, risk to health or safety or other undesirable and unintended consequences. Environmental review procedures are a necessary part of this process. Pursuant to these provisions, the grantee must also submit environmental certifications to the Department of Commerce when requesting that funds be released for the project. The grantee must certify that the proposed project will not significantly impact the environmental regulations and fulfilled its obligations to give public notice of the funding request, environmental findings and compliance performance.

Its chief executive officer or other office of applicant approved by the State:

1. consents to assume the status of responsible federal official under the National Environmental Policy Act of 1969 (NEPA) and other provisions of federal law, as specified in 24 CFR Part 58, which further the purposes of NEPA, insofar as the provisions of such federal law apply to the Montana Community Development Block Grant Program; and
2. is authorized and consents on behalf of the applicant and himself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his responsibilities as such an official.

EPA List of Violating Facilities

It will ensure that the facilities under its ownership, lease or supervision which shall be utilized in the accomplishment of the program are not listed on the U.S. Environmental Protection Agency's (EPA) List of Violating Facilities and that it will notify the Department of Commerce of the receipt of any communication from the Director of the EPA Office of Federal Activities indicating that a facility to be used in the project is under consideration for listing by EPA.

Farmlands Protection

It will comply with the Farmlands Protection Policy Act of 1981 (7 U.S.C. 4202, et seq.) and any applicable regulations (7 CFR Part 658) which established compliance procedures for any federally assisted project which will convert farmlands designated as prime, unique or statewide or locally important, to non-agricultural uses.

Floodplain Management and Wetlands Protection

It will comply with:

- the Flood Disaster Protection Act of 1973, Public Law 93-234, 87 Stat. 975, approved December 31, 1973. Section 102(a) required, on and after March 2, 1974, the purchase of flood insurance in communities where such insurance is available as a condition for the receipt of any federal financial assistance for construction or acquisition purposes for use in any area that has been identified by the Secretary of the Department of Housing and Urban Development as an area having special flood hazards. The phrase "Federal financial assistance" includes any form of loan, grant, guaranty, insurance payment, rebate, subsidy, disaster assistance loan or grant, or any other form of direct or indirect Federal assistance;
- Executive Order 11988, May 24, 1978: Floodplain Management (42 F.R. 26951, et seq.). The intent of this Executive Order is to (1) avoid, to the extent possible, adverse impacts associated with the occupancy and modification of floodplains and (2) avoid direct or indirect support of floodplain development wherever there is a practical alternative. If a grantee proposes to conduct, support or allow an action to be located in the floodplain, the grantee must consider alternatives to avoid adverse effects and incompatible involvement in the floodplains. If siting in a floodplain is the only practical alternative, the grantee must, prior to taking any action: (1) design or modify its actions in order to minimize a potential harm to the floodplain; and (2) prepare and circulate a notice containing an explanation of why the action is proposed to be located in a floodplain; and
- Executive Order 11990, May 24, 1977: Protection of Wetlands (42 F.R. 26961, et seq.). The intent of this Executive Order is to avoid adverse impacts associated with the destruction or modification of wetlands and direct or indirect support of new

construction in wetlands, wherever there is a practical alternative. The grantee must avoid undertaking or providing assistance for new construction located in wetlands unless there is no practical alternative to such construction and the proposed action includes all practical measures to minimize harm to wetlands which may result from such use.

Historic Preservation

It will comply with:

- Section 106 of the National Historic Preservation Act of 1966 (16 U.S.C. 470, as amended) through completion of the procedures outlined in 36 CFR 800 and 36 CFR 63. Compliance with these procedures should include:
 - 1. consulting with the State Historic Preservation Office (SHPO) to identify properties listed in or eligible for inclusion in the National Register of Historic Places that exist with a proposed CDBG project's area of potential environmental impact, and/or to determine the need for professional archaeological, historical, or architectural inventory of potentially affected properties to determine whether they would qualify for register listing; and
 - 2. consulting, as needed with the SHPO, Keeper of the National Register of Historic Places, and the Advisory council on Historic Preservation to evaluate the significance of historic or prehistoric properties which could be affected by CDBG work and to determine how to avoid or mitigate adverse effects to significant properties from project work.

Lead-Based Paint

It will comply with Title IV of the Lead-based Paint Poisoning Prevention Act (42 U.S.C. 4831), which prohibits the use of lead-based paint in residential structures constructed or rehabilitated with federal assistance of any kind.

Noise, Facility Siting

It will comply with HUD Environmental Standards (24 CFR, Part 51, Environmental Criteria and Standards and 44 F.R. 40860-40866, July 12, 1979) which prohibit HUD support for most new construction of noise-sensitive uses is prohibited in general for projects with unacceptable noise exposures is discouraged for projects with normally unacceptable noise exposure. Additionally projects may not be located near facilities handling materials of an explosive or hazardous nature, or in airport clear zones.

Solid Waste

It will comply with the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901, et seq.). The purpose of this Act is to promote the protection of health and the environment and to conserve valuable material and energy resources.

Water Quality

It will comply with:

- the Safe Drinking Water Act of 1974 (42 U.S.C. Section 201, 300(f) et seq. and U.S.C. Section 349), as amended, particularly Section 1424(e) (42 U.S.C. Section 300H-303(e)) which is intended to protect underground sources of water. No commitment for federal financial assistance can be entered into for any project which the U.S. Environmental Protection Agency determines may contaminate an aquifer which is the sole or principal drinking water source for an area; and
- the Federal Water Pollution Control Act of 1972, as amended, including the Clear Water Act of 1977, Public Law 92-212 (33 U.S.C. Section 1251, et seq.) which provides for the restoration and maintenance of the chemical, physical and biological integrity of the nation's water.

Wildlife

It will comply with:

- the Endangered Species Act of 1973, as amended (16 U.S.C. 1531 et seq.). The intent of this Act is to ensure that all federally assisted projects seek to preserve endangered or threatened species. Federally authorized and funded projects must not jeopardize the continued existence of endangered and threatened species or result in the destruction or modification of habitat of such species which is determined by the U.S. Department of the Interior, after consultation with the state, to be critical; and
- the Fish and Wildlife Coordination Act of 1958, as amended, (U.S.C. 661 et seq.) which requires that wildlife conservation receives equal consideration and is coordinated with other features of water resource development programs.

Wild and Scenic Rivers

It will comply with the Wild and Scenic Rivers Act of 1968, as amended (16 U.S.C. 1271, et seq.). The purpose of this Act is to preserve selected rivers or sections of rivers in their free-flowing condition, to protect the water quality of such rivers and to fulfill other vital national conservation goals. Federal assistance by loan, grant, license or other mechanism can not be provided to water resources construction projects that would have a direct and adverse effect on any river included or designated for study or inclusion in the National Wild and Scenic River System.

FINANCIAL MANAGEMENT

It will comply with the applicable requirements of:

- OMB Circular A-87, "Cost Principles for State and Local Governments," as specified by the Department of Commerce;

- HUD "Administrative Requirements for Grant and Cooperative Agreements to State, Local, and Federally-Recognized Indian Tribal Governments, (24 CFR, Part 85), or any equivalent procedures and requirements that the Montana Department of Commerce may prescribe. The HUD Administrative Requirements are the basis for a number of specific requirements on the financial management and recordkeeping of CDBG funds. The requirements apply to cash depositories, bonding and insurance, recordkeeping, program income, property management, procurement, closeout, audit, and other requirements; and
- The Single Audit Act of 1984 which establishes criteria for determining the scope and content of audits and with OMB Circular A-128, "Audits of State and Local Governments," issued pursuant to the Act.

It will promptly refund to the Montana Department of Commerce any CDBG funds determined by an audit to have been spent in an unauthorized or improper manner or for ineligible activities.

It will give the Montana Department of Commerce, HUD, the Comptroller General, and the Montana Legislative Auditor, through any authorized representatives, access to and the right to examine all records, books, papers, or documents related to the grant.

LABOR STANDARDS

It will comply with:

- Section 110 of the Housing and Community Development Act of 1975, as amended, 24 CFR 570.605, and State regulations regarding the administration and enforcement of labor standards. Section 110 requires that all laborers and mechanics employed by contractors or subcontractors on construction work assisted under the Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276-1- 276a-5). By reason of the foregoing requirement the Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.) also applies. However, these requirements apply to rehabilitation of residential property only if such property is designed for residential use for eight or more families;
- Davis-Bacon Act, as amended (40 U.S.C. et seq.), Section 2; June 13, 1934, as amended (48 Stat. 948.40 U.S.C. 276(c)), popularly known as The Copeland Anti-Kickback Act. The Act mandates that all laborers and mechanics be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account except "permissible" salary deductions, the full amounts due at the time of payments, computed at wage rates not less than those contained in the wage determination issued by the U.S. Department of Labor. Weekly compliance statements and

payrolls are required to be submitted to the federally-funded recipient by the contractor;

- Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.). According to the Act, no contract work may involve or require laborers or mechanics to work in excess of eight hours in a calendar day, or in excess of 40 hours in a work week, unless compensation of not less than one and one-half times the basic rate is paid for the overtime hours. If this Act is violated, the contractor or subcontractor is liable to any affected employee for unpaid damages as well as to the United States for liquidated damages; and
- Federal Fair Labor Standards Act, (29 U.S.C.S. 201 et seq.). The act requires that covered employees be paid at least the minimum prescribed wage, and also that they be paid one and one-half times their basic wage rate for all hours worked in excess of the prescribed workweek.

LEGAL AUTHORITY

It possesses legal authority to apply for the grant and to execute the proposed project under Montana law and, if selected to receive a Community Development Block Grant, will make all efforts necessary to assure timely and effective implementation of the project activities described in the attached application.

POLITICAL ACTIVITY

It will comply with the Hatch Act (5 U.S.C. 1501, et seq.; 5 CFR Part 151) which restricts the political activity of individuals principally employed by a state or local agency in connection with a program financed in whole or in part by federal loans or grants. An affected employee may not be a candidate for public office in a partisan election.

AUTHORIZATION TO SUBMIT APPLICATION

Its governing body has duly adopted or passed as an official act a resolution, motion or similar action authorizing the submission of the application, including all understandings and assurances contained herein, and directing and authorizing the signatory to act in connection with the application and to provide such additional information as may be required.

Signature, Chief Elected Official
(or Executive Officer)

Name (typed or printed)

Title

Date

APPENDIX G

STATE OBJECTIVES FOR THE 1989 MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

General

1. Provide funding to communities whose needs are greater than those of other communities and whose projects most effectively address local needs and the goal and objectives of the Montana CDBG Program.
2. Encourage meaningful citizen participation, including efforts to involve low and moderate income persons, in the selection, design and implementation of local community development projects.
3. Ensure that CDBG projects result in sound investment in Montana's communities and are administered efficiently, effectively and consistently with appropriate State and federal policies.
4. Encourage the recognition of potential environmental constraints on community development activities in order to avoid or mitigate potentially adverse impacts upon the human and natural environment.
5. Encourage coordinated long-term strategies for community development activities which are consistent with local planning efforts and capital improvements programming.
6. In order to increase the potential impact of limited CDBG funds, encourage the commitment and coordination of other available public or private resources for community development projects.

Economic Development

7. Encourage viable economic development projects that promote investment of private capital, expansion of local tax bases, and creation of permanent, year around jobs principally for low and moderate income Montanans.
8. Encourage projects that will involve basic economic activities, including manufacturing, import substitution activities; or the distribution of Montana-made goods.
9. Encourage projects that involve the processing, refining, and marketing of Montana's natural resources.

Housing and Neighborhood Revitalization

10. Provide decent, safe, sanitary and energy efficient housing for persons of low and moderate income by conserving and improving the condition of appropriate existing housing stock.
11. Support the revitalization of deteriorated or declining residential neighborhoods through comprehensive neighborhood improvement efforts which address blight, as well as housing and public facility needs, while avoiding displacement of current residents.

12. Encourage the provision of affordable and appropriate housing assistance to low and moderate income households, and in particular, those with special needs such as those with lower incomes, female heads of family, or minority, elderly or disabled members.
13. Increase fair housing opportunity for low and moderate income persons by encouraging efforts by local governments to prevent discriminatory or restrictive housing practices.
14. Encourage private sector investment in housing for low and moderate income households and increase the impact of local housing programs through cooperative arrangements with private lenders and the use of financial leveraging techniques.

Public Facilities

15. Assist communities in providing appropriate and long-term solutions to serious deficiencies in public facilities which are detrimental to the public health and safety and detract from further community development, or which are necessary to meet other essential community needs.
16. Encourage community participation in the financing of public facility projects in proportion to local financial resources and capacity to share in project costs.

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